

City of Beaverton New Market's Tax Credits Workshop

Sponsored by the Economic Development Division
October 2, 2012 – 8am–10am



Beaverton NMTC Workshop

8:00: Welcome - **Alma Flores**, Economic Development Manager

8:02: Overview - **Beaverton Mayor Denny Doyle**

8:05: Panelists intro - **Don Mazziotti**, Community & Economic Development Director

8:10: **Walt Postlewait**, COO & Chief Lending Officer, Craft 3

Case Studies: CCAP, EnerG2, Health Center, Clatsop Community College, Nisbet Oyster

8:30: **David Altman**, President/IPR Consulting

Case Studies: Enterprise Circle Head Start, Greentech Automotive, Inc.

8:50: **Reynold Roeder**, CEO, Roeder & Company

Case Study: Lime Wind Project

9:10: **Stephen Brooks**, Principal, Pilot Management Resources

Case Study: Mixed-use project; more on State of Oregon NMTCs

9:30: Open Q & A

9:50: Closing Remarks



Mayor Denny Doyle Overview



Don Mazziotti

Community & Economic Development Director

Introduction of Panelists

Walt Postlewait, Chief Operating Officer - Craft3

David Altman, President - IPR Consulting

Reynold Roeder, Financial Consultant - Roeder & Company

Stephen Brooks, Principal - Pilot Management Resources



Walt Postlewait,
Chief Operating Officer



How do you use New Market Tax Credits?



Coastal Community Action Program

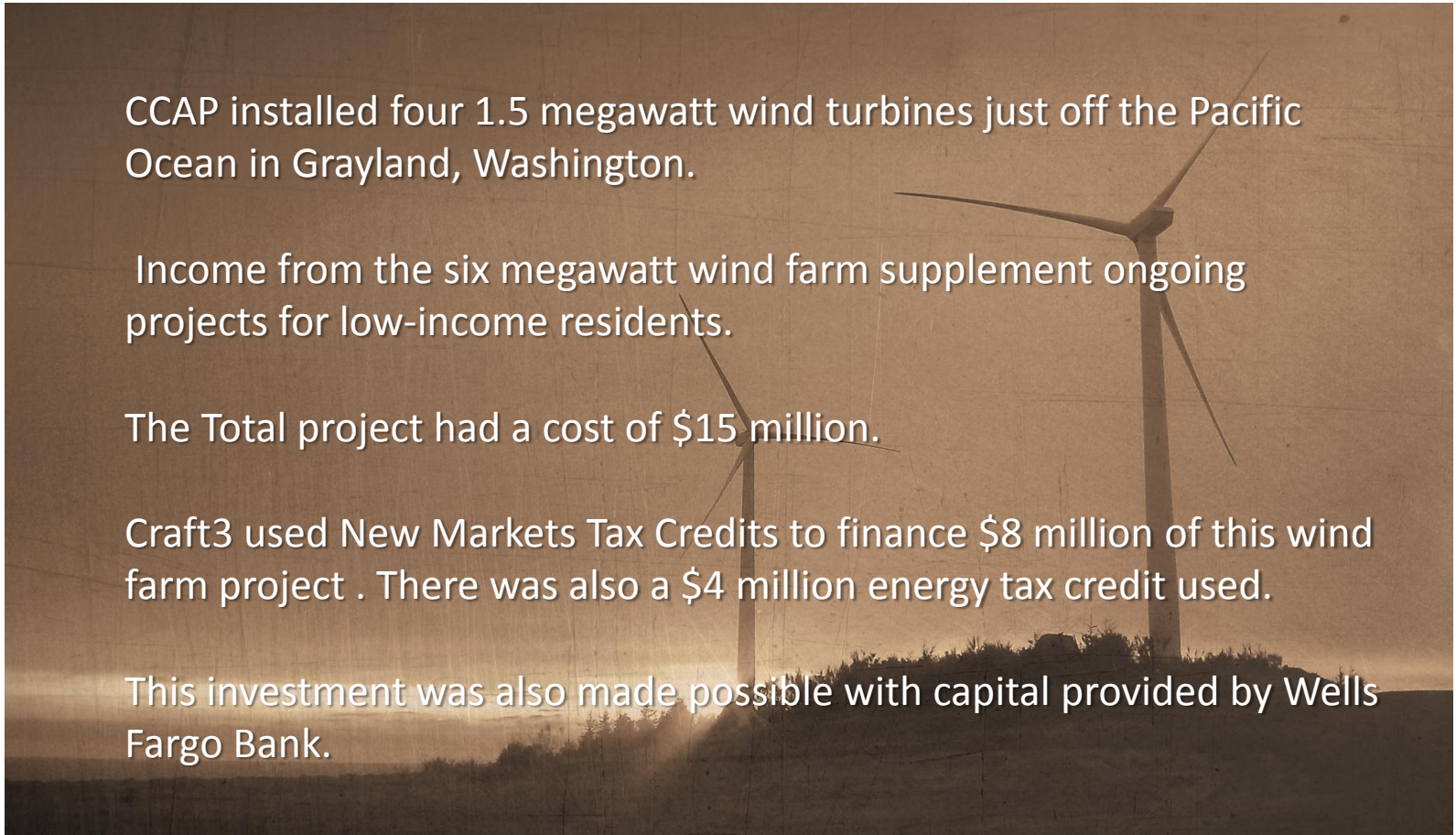
CCAP installed four 1.5 megawatt wind turbines just off the Pacific Ocean in Grayland, Washington.

Income from the six megawatt wind farm supplement ongoing projects for low-income residents.

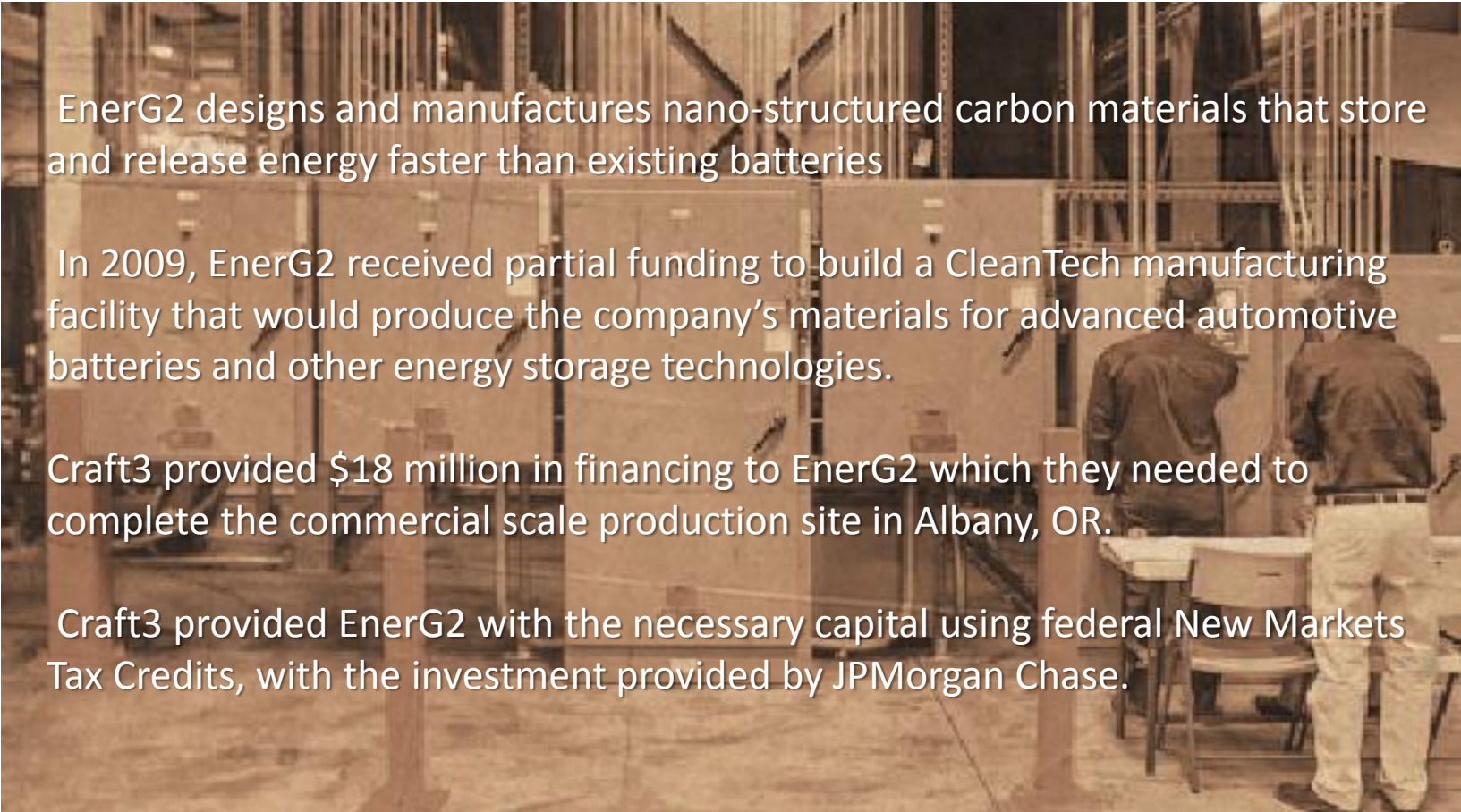
The Total project had a cost of \$15 million.

Craft3 used New Markets Tax Credits to finance \$8 million of this wind farm project . There was also a \$4 million energy tax credit used.

This investment was also made possible with capital provided by Wells Fargo Bank.



EnerG2



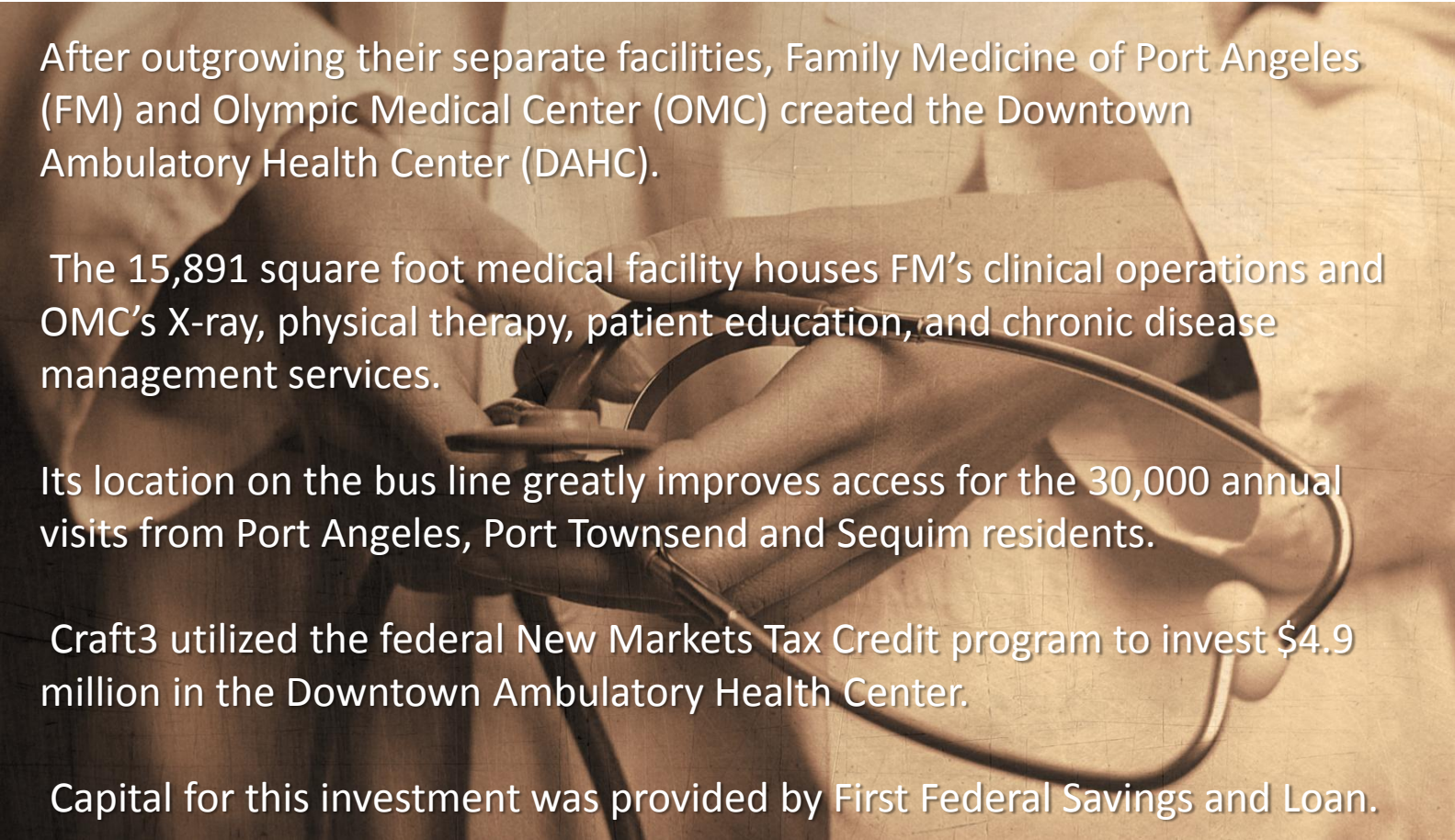
EnerG2 designs and manufactures nano-structured carbon materials that store and release energy faster than existing batteries

In 2009, EnerG2 received partial funding to build a CleanTech manufacturing facility that would produce the company's materials for advanced automotive batteries and other energy storage technologies.

Craft3 provided \$18 million in financing to EnerG2 which they needed to complete the commercial scale production site in Albany, OR.

Craft3 provided EnerG2 with the necessary capital using federal New Markets Tax Credits, with the investment provided by JPMorgan Chase.

Downtown Ambulatory Health Center



After outgrowing their separate facilities, Family Medicine of Port Angeles (FM) and Olympic Medical Center (OMC) created the Downtown Ambulatory Health Center (DAHC).

The 15,891 square foot medical facility houses FM's clinical operations and OMC's X-ray, physical therapy, patient education, and chronic disease management services.

Its location on the bus line greatly improves access for the 30,000 annual visits from Port Angeles, Port Townsend and Sequim residents.

Craft3 utilized the federal New Markets Tax Credit program to invest \$4.9 million in the Downtown Ambulatory Health Center.

Capital for this investment was provided by First Federal Savings and Loan.

Clatsop Community College

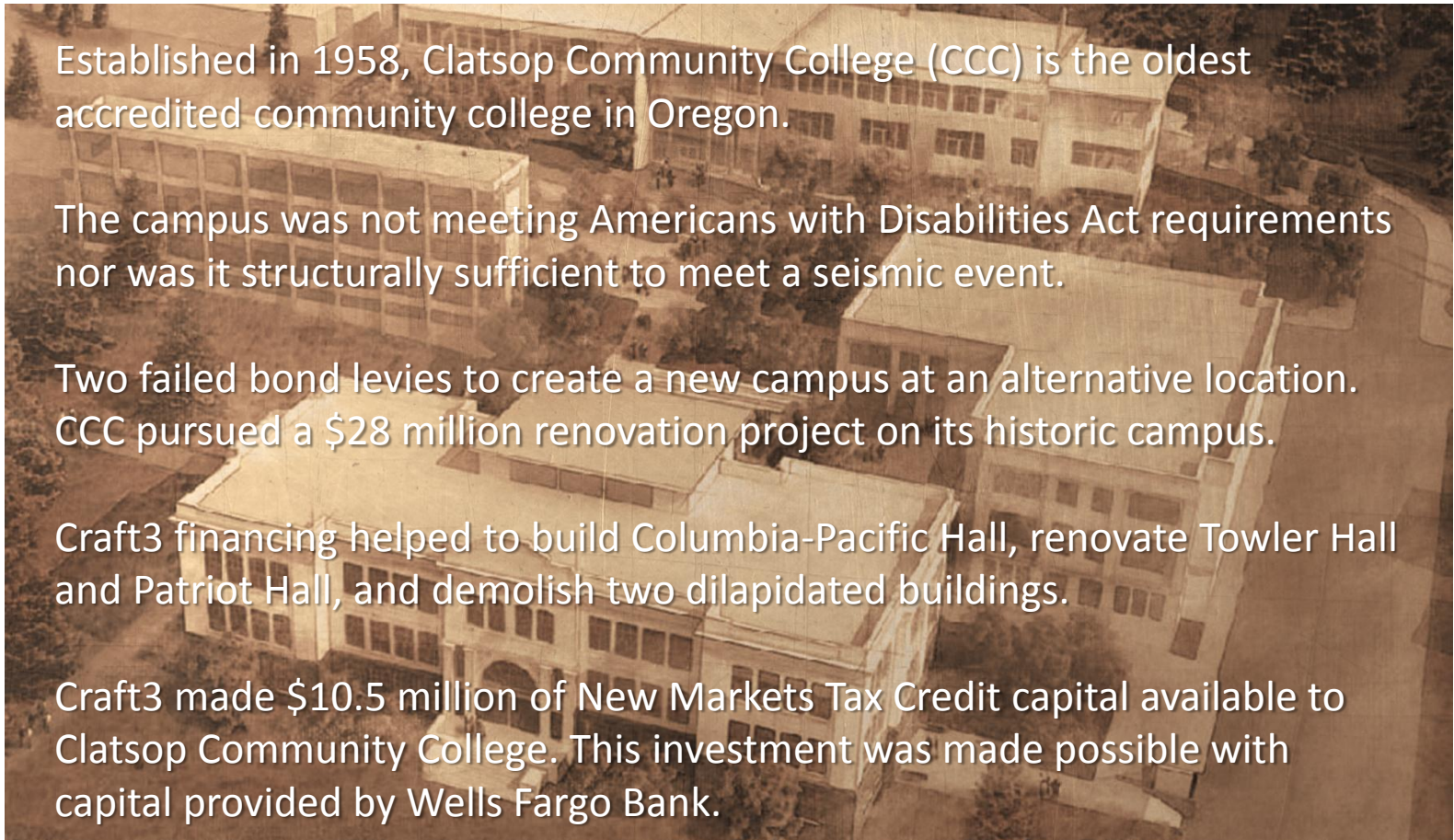
Established in 1958, Clatsop Community College (CCC) is the oldest accredited community college in Oregon.

The campus was not meeting Americans with Disabilities Act requirements nor was it structurally sufficient to meet a seismic event.

Two failed bond levies to create a new campus at an alternative location. CCC pursued a \$28 million renovation project on its historic campus.

Craft3 financing helped to build Columbia-Pacific Hall, renovate Towler Hall and Patriot Hall, and demolish two dilapidated buildings.

Craft3 made \$10.5 million of New Markets Tax Credit capital available to Clatsop Community College. This investment was made possible with capital provided by Wells Fargo Bank.



Nisbet Oyster Company

Dave and Maureen Nisbet have owned and operated Nisbet Oyster Company on Willapa Bay since 1979.

The operation has grown into an efficient oyster processing facility, processing over 2 million pounds of shellfish products annually. The company markets exclusively under the Goose Point Oyster label.

Dave and Maureen needed additional capital for a new septic system, oyster dredge, and additions to the retail/processing building they contacted Craft3.

Craft3 utilized the federal New Markets Tax Credit program to invest \$866,000 in Nisbet Oyster Company.

Capital for this investment was provided by Wells Fargo Bank.





Lending to people, Investing for resilience

Walt Postlewait, EVP

Chief Operating & Lending Officer

Craft3

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David W. Altman
President, IPR Consulting

New Market Tax Credit Financing Provides
Economic Development Opportunities!



Program Criteria

- Serve low income communities by (1) providing jobs; (2) fulfilling designated needs (brownfield renovation, healthy foods, etc.); or (3) reaching clientele from this community
- Permit individual or corporate investor(s) to receive a credit against their Federal income tax return in exchange for making equity investments

Regional Impact

(through Dec 2010)

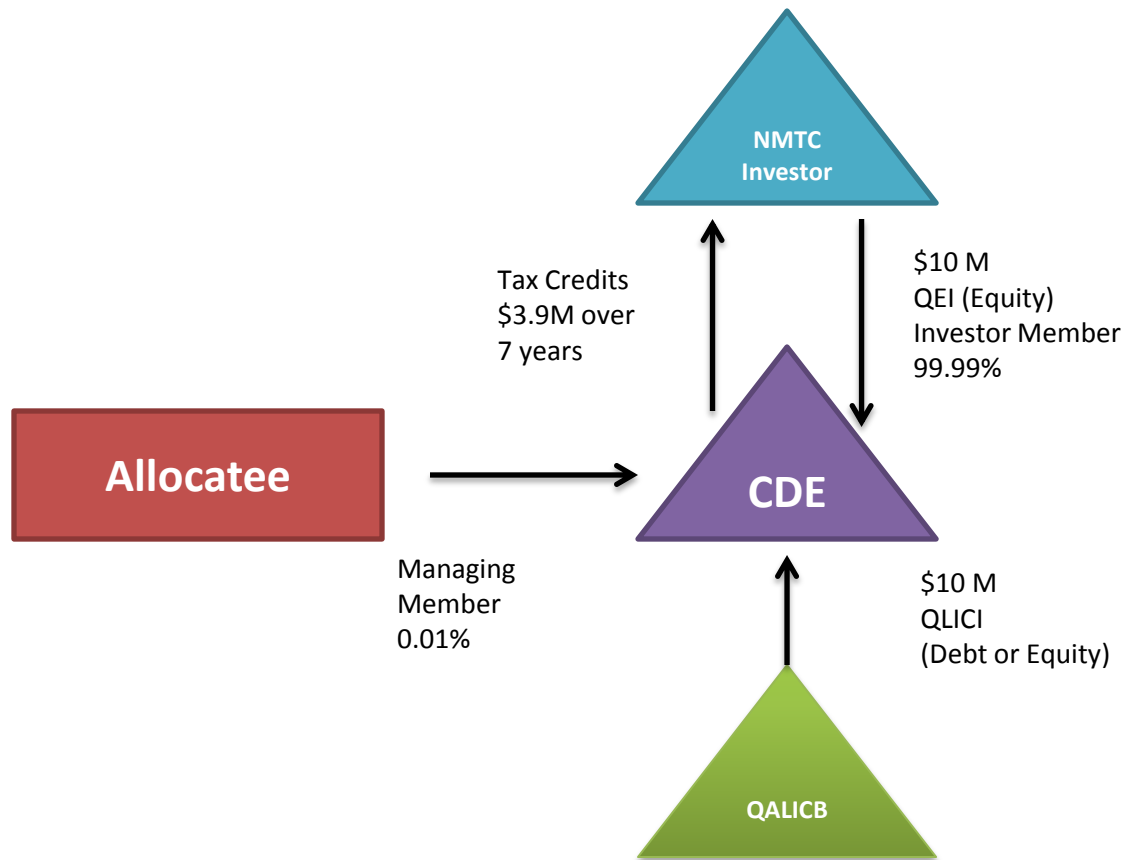
- NMTCs: Oregon \$493 M; Washington \$737 M
- Oregon total project investment: \$2.37 B
- Divided between the haves and the have-nots:
 - Vancouver received \$694,000 for a gas station
 - No community outside of Portland had NMTCs in the Metro area in Oregon

NMTC Examples

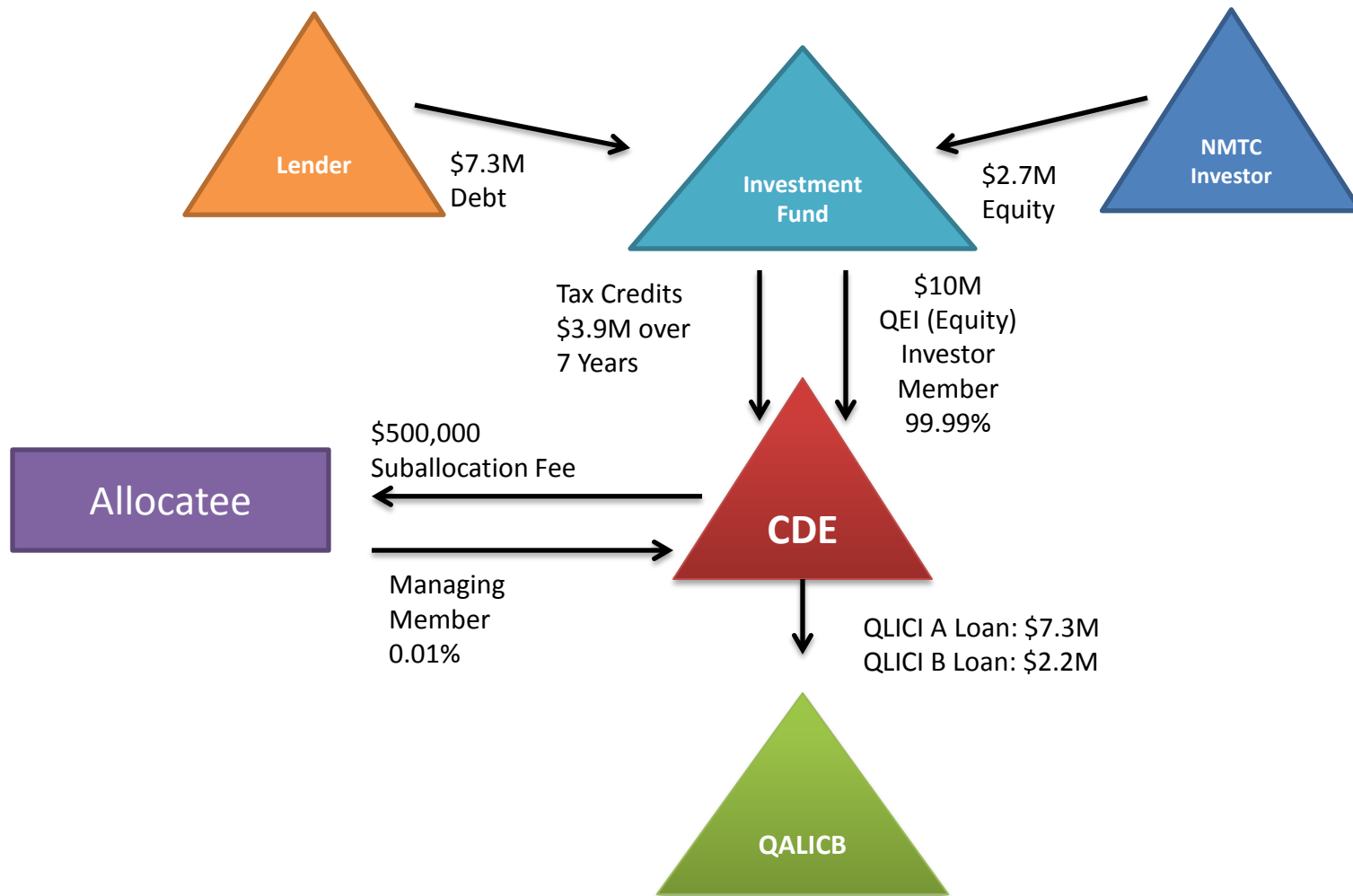
(Developed by Principals at IPR)

- Oregon Child Development Coalition Head Start facility in Hillsboro - \$11 Million NMTC financing (currently closing)
- Greentech Automotive, Inc. – \$88.6 Million NMTC project

Direct Investment



Leveraged Investment Model



Competitive Advantage Attributes

- Distressed eligible census tracts
- Community benefit impact can be well documented for low income populations
- Lenders available with understanding of requirements for underwriting NMTC transactions
- Support from local government for facilitating access to NMTCs
- Experienced professional services for legal, accounting, development, and finance

Resources

- CDFI Fund of US Treasury; www.cdfifund.gov
- Professional services websites; Novogradac or Reznick accounting groups, www.novoco.com (Nicolo Pinoli, tel: 503-535-2815 x106; email: nicolo.pinoli@novoco.com)
- New Market Tax Credit Coalition; www.nmtccoalition.org
- Specialist legal counsel, such as Kantor Taylor Nelson Evatt Decina (Alan Pasternack, tel: 503-227-0221, email: apasternack@kantortaylor.com)
- NMTC development consultants, such as IPR Consulting Group (David Altman, tel: 503-320-7177, email: daltman@iprgroup.net)

Reynold Roeder, Roeder & Company, LLC



Lime Wind - A case study
illustrating the usage of Federal NMTCs!



The Project

- 3 MW community wind project located in Baker County, Oregon.
- Comprised of six rebuilt 500kW Nordtank wind turbines
- Located on leased Federal BLM property
- Energy sold under long-term energy sales agreement with Idaho Power
- Renewable energy certificates sold to Bonneville Environmental Foundation

The Project



The Entrepreneur



The Incentive

- Items creating the incentive to develop the project:
 - Traditional rural business of the family, Joseph Millworks, was in decline
 - Interest in renewable energy
 - Initial wind resource studies on the ranch were unfavorable
 - BLM announced availability of leases for wind resources
 - Federal REAP grant applied for and granted for \$500k.

The Process

- Developer determines there is a wind resource
- Studies confirm that sufficient wind resource is available
- Developer prepares preliminary model and feasibility study. Identifies potential sources of funding
- Enters into energy sales agreement and REC sales agreement
- Developer hires NMTC consultant
- Developer and consultant lock down term sheets for funding
- NMTC consultant helps identify potential CDEs
- Project enters into “Reservation Letter” with CDE
- CDE identifies Tax Credit Investor
- Term sheet for NMTC is prepared and executed
- Documents are negotiated and prepared
- Financial closing is achieved

The Players

- Randy Joseph – Developer
- Crescent Growth Capital – NMTC consultant to developer
- Albina Equity Fund I, LLC – Community Development Entity with NMTC allocation
- Roeder & Company, LLC – NMTC consultant to Albina Equity Fund
- Wells Fargo Community Holdings – Tax Credit Investors
- Lawyers – Kutak Rock, Lane Powell, Nixon Peabody
- Accountants – Novogradac & Company

The Challenges Along the Way



Challenge #1

- Funding, even with incentives, grants and subsidies, was tight.
 - The developer was able to get vendors to defer payment until the Oregon BETC was monetized.
 - These deferrals were significant - in excess of \$1,000,000.
 - Developer had to commit all available family assets

The Numbers

Source of Funding	Amount
Oregon Department of Energy Loan (SELP)	\$2,500,000
Oregon Business Energy Tax Credit	1,400,000
New Markets Tax Credit Equity	2,300,000
Rural Energy for America Program Grant (REAP)	500,000
Federal 1603 Grant	<u>1,700,000</u>
Total	\$8,400,000

Challenge #2

- Finding Available NMTC Allocation
 - Though environmentally positive, the minor permanent jobs created hampered search.
 - Those CDEs with larger allocations were not generally focused on rural renewable energy
 - Albina Equity Fund had allocation but no willing tax credit investor due to its parent, Albina Bancorp, operating under a regulatory “consent order”.
 - Roeder & Company pitched WF that an investment in Lime Wind had two positive outcomes
 - Those associated with Lime Wind, and
 - Those associated with Albina Bank, a significant Portland based, minority lender.

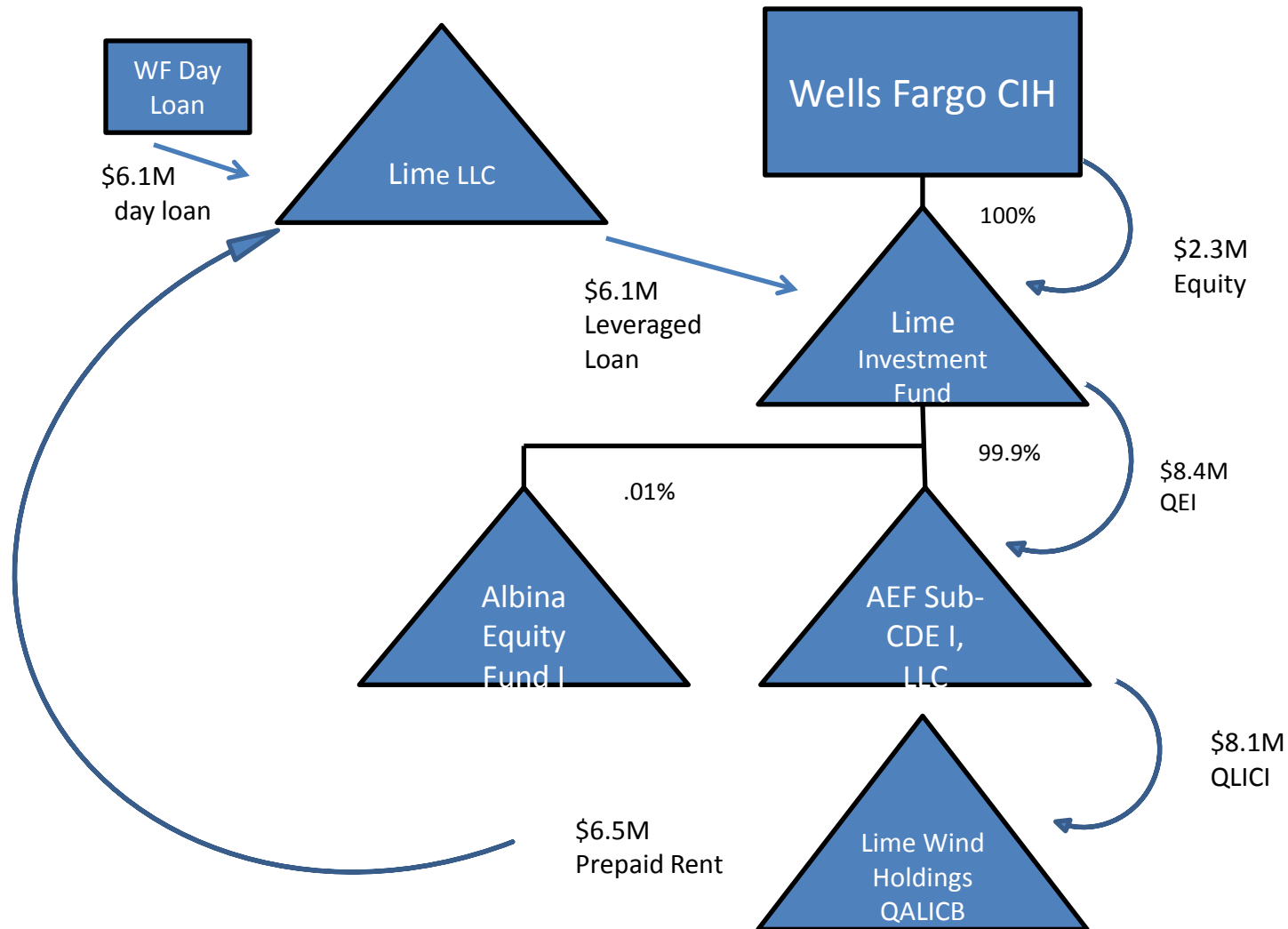
Challenge #3

- Targeted leveraged lender abandoned wind as a strategic market
 - Back up lender, Oregon Department of Energy though committed, hadn't contemplated NMTC structure and had in place an internal moratorium on lending.
 - Lobbying efforts by Joseph and Roeder & Company lifted the moratorium.
 - Structure revised to facilitate loan commitment

Challenge #4

- Needed a structure that respected the original term sheet between the State of Oregon and Lime Wind, LLC but worked with the NMTC program
 - Lime Wind, LLC became leveraged lender
 - Lime Wind Holdings, LLC was created to become the QALICB in the business of leasing and subleasing back the wind project.

The Structure



Conclusions

- The NMTC program is flexible
- It helps to:
 - Be persistent
 - Hire good consultants
 - Network
 - Know what CDE's might be motivated in your direction



Some Quick Comments on Oregon's NMTC Program

Oregon's NMTC

- Mirrors Federal NMTC program
- 39% of eligible Qualified Equity Investment
 - 0% for years 1 and 2
 - 7% for year 3
 - 8% for years 4, 5, 6, and 7

Value of Credit

- Delay in realization of tax credit decreases value to the Qualified Active Low Income Community Business, or the project
- Cap on deal size works to dilute the benefit to the project
- Initial closings will be less efficient due to the learning curve
- Uncertain market for the tax credit given surplus of Oregon BETCs
- Best guess suggests NMTC derived benefit might approximate \$500k for a \$4 million dollar capped project.

Oregon NMTC Team

- Roeder & Company teamed with Enhanced Capital Partners (“ECP”) to make an application for Oregon NMTCs
- ECP was awarded \$32 million in Oregon NMTC allocation
- ECP, Roeder & Company, and the City of Beaverton have signed a collaboration agreement with respect to the Oregon NMTC Program
- ECP has been awarded Federal NMTCs in three previous rounds
- Roeder & Company is the in-state presence for ECP’s CDE

Contact Information

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Principal, Pilot Management Resources

Development Finance

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Learn how the City of Beaverton can help Facilitate
the Development of a NMTC Project Finance Plan!

